

NIKKO AM GLOBAL SHARES UNHEDGED STRATEGY

Assets are held in the Nikko AM NZ Wholesale Global Shares Fund. The Nikko AM Global Shares Fund (retail) and Nikko AM KiwiSaver Scheme Global Shares Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- It's an understatement to say that global equity markets had a volatile and challenging first quarter of 2022.
- In Q1, the energy sector (20.3%) had a breakout performance, as crude oil prices rose from USD 75 a barrel to over USD 100 a barrel. Materials sector (1.8%) also outperformed as many commodity prices surged to multi-year highs. Healthcare once again outperformed, but the brunt of the market's sell-off was borne by the information technology (-11.3%) and consumer discretionary (-12.4%) sectors.
- Regarding regional performance, Asian and European stocks were among the worst performing equity markets in Q1. The US (-6%) had marginal outperformance over the global Index, while the commodity and value-oriented markets of Canada (4%), Australia (4%) and the UK (0.5%) were among the top performers relative to their global peers. Brazil was an outlier with a return of 34% over the quarter, driven by very strong performance of its financials, materials and energy sectors.

Fund Highlights

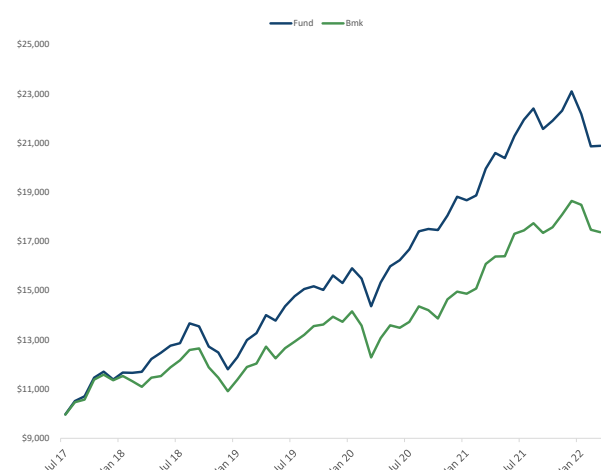
- The fund returned 0.09% for the month but was down -9.58% for the quarter, well behind benchmark.
- Positive contributors to fund performance over the quarter were Deere and Co, LHC Group and Progressive Corp. Main detractors included Masimo, HelloFresh and AdaptHealth.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)
Wholesale ¹	0.09%	-9.58%	4.66%	16.31%	-
Benchmark ²	-0.60%	-6.84%	8.02%	13.01%	-
Retail ³	-0.26%	-9.45%	4.11%	15.28%	-
KiwiSaver ³	-0.28%	-9.47%	4.20%	15.71%	-

1. Returns are before tax and before the deduction of fees. Based on actual calendar periods.
2. Benchmark: MSCI All Countries World Index (net dividends reinvested), in NZD terms. No tax or fees.
3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

Since Inception Cumulative Performance (gross), \$10,000 invested^{1,2}



Investment Manager

The Global Shares Strategy is managed by Nikko AM's Global Equity team that is based in Edinburgh, Scotland. With over 20 years average experience, team members have dual roles of portfolio manager and analyst responsibility and work together on an equal basis to construct client portfolios. This flat investment structure and investment process has been in place since the team's foundation.

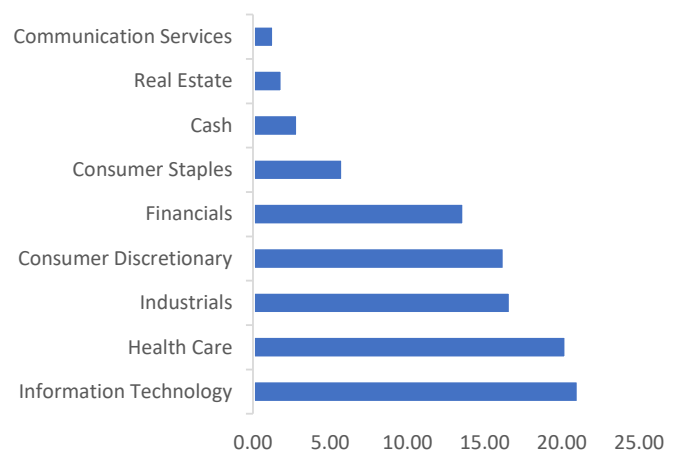
Overview

The fund provides investors with a relatively concentrated actively managed portfolio of global equities to achieve long term capital growth.

Objective

The fund aims to outperform the benchmark return by 3% per annum before fees, expenses and taxes over a rolling three-year period.

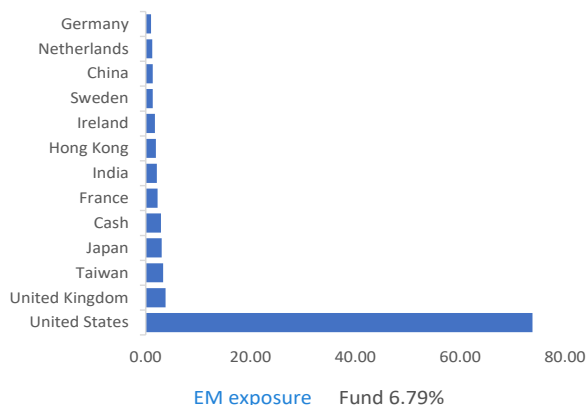
Asset Allocation



Top 10 Holdings

	% of Fund	Country
Microsoft Corp	6.84%	US
Amazon Com Inc	3.85%	US
Taiwan Semiconductor	3.29%	Taiwan
Emerson Electric Co	3.21%	US
Compass Group	3.17%	UK
Encompass Health Corp	3.09%	US
Accenture Plc	3.06%	Ireland
Sony Corp Y50	3.01%	Japan
Coca Cola Co USD	3.01%	US
Deere & Co	2.88%	US

Geographical Allocation



Market Commentary

The Russian invasion of Ukraine on 24 February 2022 is the most significant military event in Europe since the Battle of Berlin at the end of World War 2 in 1945. Economic sanctions affected Russia from the first day of the invasion, with the Russian stock market (RTS Index) falling by up to 39%. The Russian rouble fell to record lows, while stock exchanges in Moscow and St. Petersburg were suspended until late March, making it the longest closure in Russia's history. Much of the country's USD 630 billion of reserves were rendered inaccessible by a freeze on the Bank of Russia's assets, Russia's ability to transact in foreign currencies was limited by the EU, US and other G7 partners, and prominent Russian banks were removed from the Swift payments network. The Nord Stream 2 natural gas pipeline under the Baltic Sea between Russia and Germany was cancelled, resulting in natural gas prices in Europe reaching an all-time high of 225 euros per megawatt-hour in early March. The Brent oil price also rose above USD 130 a barrel for the first time since 2008. Global equity markets had a volatile and challenging first quarter of 2022. In Q1, the energy sector (20.3%) had a breakout performance, as crude oil prices rose from USD 75 a barrel to over USD 100 a barrel. The materials sector (1.8%) also outperformed the Index over the quarter as many commodity prices surged to multi-year highs. The healthcare sector once again outperformed, but the brunt of the market's sell-off was borne by the information technology (-11.3%) and consumer discretionary (-12.4%) sectors. "Value" had a negative return of -2.0% over Q1, "Growth" -10.7% and "Quality" at -9.4%. US inflation has surged to its highest level in 40 years.

Fund Commentary

The fund returned 0.09% for the month but down -9.58% for the quarter, well behind benchmark. Holdings with notable impact on returns over the quarter included positive contributions from Deere & Co, which has continued to outperform, following the Russian invasion of Ukraine - as soft commodity prices have risen on uncertainty over the fate of Ukrainian corn and wheat exports. High crop prices will feed through into increased investment spending by farmers and this will likely boost demand for Deere's farm equipment and precision agriculture technology; LHC Group has been recovering in recent weeks as the US nursing market normalizes, following the stress caused by COVID-19. Better nurse availability and less recourse to expensive, short-term contract labour should gradually accelerate service revenue growth and widen profit margins at the business as we work through 2022. Progressive Corp outperformed this quarter but there was little stock specific news driving this performance. The insurance sector generally has enjoyed a good start to the year as rising inflation has driven interest rate expectations higher. Holdings with a negative impact on the portfolio included Masimo which fell sharply in February following the company's announcement of its planned acquisition of Sound United. Investors struggled to understand the strategic rationale behind the deal and were concerned about the USD 1 billion price tag attached to it; HelloFresh underperformed in Q1 on the back of mixed year-end results. Most significantly, the market reacted negatively to management's FY22 margin outlook. AdaptHealth also underperformed this quarter after ResMed announced that chip shortages remain challenging. These shortages mean that the company has not been able to boost CPAP device production in Q1, as originally planned.

Key Fund Facts

Distributions

Generally does not distribute.

Exclusions

Securities that conduct activities listed on the Schedule to Cluster Munitions Prohibition Act 2009. Tobacco manufacturers.

Restrictions

Adult entertainment, tobacco stocks, 'controversial weapons', gambling, fossil fuels, alcohol stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) which can be found on our website <https://www.nikkoam.co.nz/invest/retail>.

Estimated annual fund charges

Wholesale: negotiated outside of the unit price
 Retail 1.20%, refer to PDS for more details
 KiwiSaver 1.15% refer to PDS for more details

Buy / Sell spread: 0.07%/0.07% **Strategy Launch:** July 2017 **Strategy size:** \$531.9m

Compliance The wholesale fund complied with its investment mandate and trust deed during the quarter.

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